STATE OF CONNECTICUT
OFFICE OF POLICY AND MANAGEMENT

TESTIMONY PRESENTED TO THE HIGHER EDUCATION AND EMPLOYMENT ADVANCEMENT AND BANKING COMMITTEES

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Benjamin Barnes
Secretary
Office of Policy and Management

Testimony Supporting Senate Bill No. 950

AN ACT ENABLING THE REFINANCING OF STUDENT LOANS

Senator Bartolomeo, Senator Holder-Winfield, Representative Willis, Representative Lesser and distinguished members of the Higher Education and Employment Advancement and Banking Committees, thank you for the opportunity to offer testimony on Senate Bill No. 950, An Act Enabling the Refinancing of Student Loans.

This bill adds the ability to refinance student loans and issue bonds for such purpose to the duties of the Connecticut Higher Education Supplemental Loan Authority (CHESLA). This legislation makes loan refinancing available to Connecticut residents, Connecticut students and parents, and attendees of Connecticut higher education institutions through CHESLA, regardless of whether the loan was originally made by CHESLA.

The bill will help to improve the financial situation for many state residents who struggle to pay their student loan debt by helping to reduce the interest paid on that debt.

The bill also proposes a change to the make up the CHESLA board of directors. Currently, two of the members are also members of and are appointed by the Connecticut Health and Educational Facilities Authority (CHEFA), of which CHESLA is a subsidiary. The legislation changes the appointments to two state residents with the same qualifications as the CHEFA board members whom they would replace.

Finally, I would like to comment on House Bill 6907 which is also on your agenda today. This bill also provides CHESLA the ability to refinance student loans. However, section 4 of the bill places a limitation on the setting of interest rates on CHESLA loans beginning with the next academic year. The provision is modeled on a federal provision related to the Parent Plus Loan. While this limitation is well intended, it could prove problematic for CHESLA to achieve in all instances. The federal loans are made using cash and CHESLA loans are made with bond proceeds. The setting of an interest rate is tied to municipal bond market rates at the time of sale and also must factor in sufficient cash flow the pay the principal and interest on the bonds. The loans are interest only while a student is in school, but repayment of the bonds begins right away. The CHESLA board of directors always strives to set the lowest possible interest rate that is financially feasible for the borrower and the authority. I respectfully request that you consider these concerns in your deliberations on this provision.

I respectfully request that the committees support Senate Bill 950. I would like to again thank the committees for the opportunity to present this testimony, and I am happy to answer any questions you may have.